South Dakota
Legislative Research Council

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Memorandum

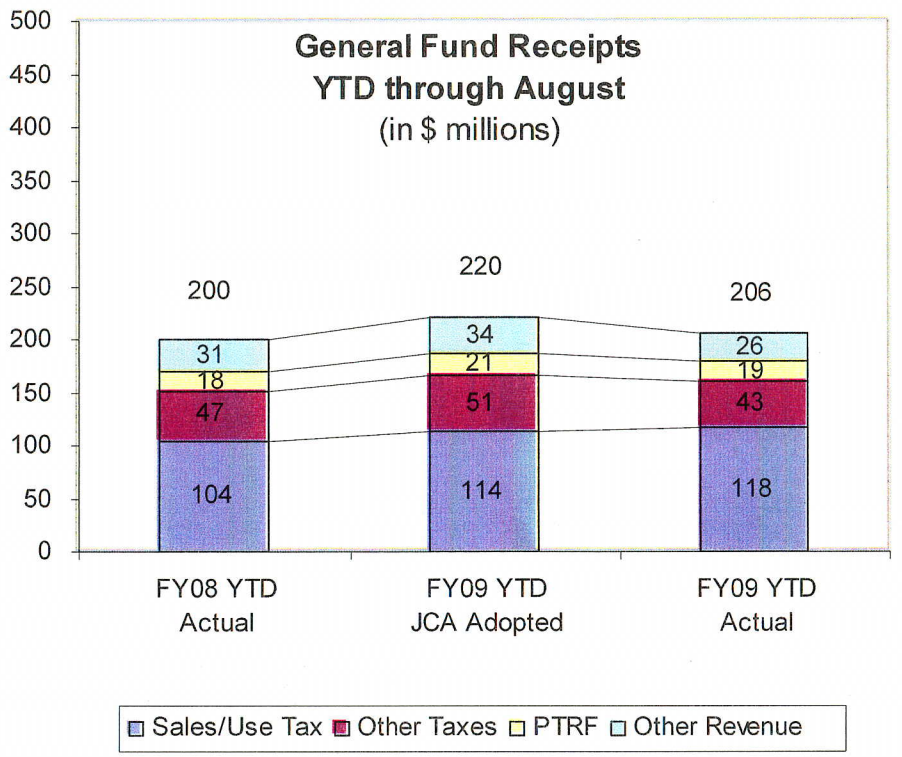
September 15, 2008

To: Joint Committee on Appropriations

From: Fred Schoenfeld
Chief Fiscal Analyst, LRC FS by AO

Subject: General Fund Revenue Report

Through August, total FY09 General Fund revenues booked into the General Fund are calculated to be $14.2 million below the budgetary estimates. However, as discussed in detail below, we believe this calculated shortfall is too high for several reasons.



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Additional details are contained in the following table. The Sales Tax and Use Tax receipts reported in the media by Sioux Falls appear worse than the statewide data reflected here. We believe the primary reason for this is that the statewide figures are pulled up by continued strong rural-agricultural sales more than offsetting some weakness in the urban collections. There is also the possibility that different fiscal years (calendar vs state fiscal years) are skewing the data.

Contractor's Excise taxes also appear lower in this table than may actually be true. On the one hand, BFM is now deducting refunds from receipts into the General Fund on a monthly basis to avoid the problem of large deductions at year end as previously encountered. Our budgetary allocation formula has not been adjusted to reflect this, so the "target" is probably about $1 million too high. In addition, an additional $8.5 million has been collected by the Department of Revenue but not yet booked as General Fund receipts, which are the basis of this report. When these two factors are considered together, receipts may be actually positive, although less sanguine than sales tax receipts.

We believe the negative variance with respect to Net Transfers In is the result of either the booking cycle or the way 1-time transfers are deducted from gross transfers to produce net transfers in prior years, which may be making the budgetary allocation too high. We will be reviewing these factors as part of the effort described below.

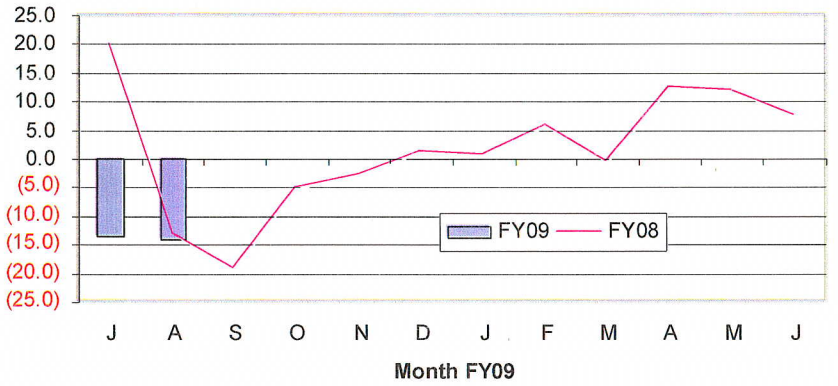
STATE GENERAL FUND RECEIPTS
FY09 - Year to Date through August
(in thousands of dollars, except where noted)

					FY08 YTD Actual % Change from:	
	FY08 YTD Actual	FY09 YTD JCA Adopted	FY09 YTD Actual	Difference	FY08 YTD Actual	FY09 YTD JCA Adopted
Taxes:						
Sales and Use Tax	103,914	113,989	117,576	3,587	13.1%	3.1%
Contractor's Excise Tax	13,120	16,174	7,061	(9,113)	-46.2%	-56.3%
Wholesale Alcohol Tax	187	199	153	(46)	-18.6%	-23.4%
Alcohol Beverage Tax	0	0	0	0	3.6%	49.3%
Cigarette Tax	11,131	11,131	11,269	138	1.2%	1.2%
Bank Franchise Tax	8,907	9,329	8,519	(810)	-4.4%	-8.7%
Insurance Company Tax	12,947	13,597	14,369	772	11.0%	5.7%
Mineral Severance Taxes	957	1,009	1,531	523	60.0%	51.8%
Total Taxes	151,163	165,428	160,478	(4,949)	6.2%	-3.0%
Other Revenue:						
Licenses Permits and Fees	850	889	800	(89)	-5.9%	-10.0%
Charges for Goods and Services	787	2,403	1,057	(1,346)	34.2%	-56.0%
State Lottery, Instant Tickets	0	0	0	0		
Property Tax Reduction Fund	17,967	20,876	18,894	(1,982)	5.2%	-9.5%
Investment Income and Interest	0	1	12	11	2357.4%	745.6%
Transfers In	10,592	12,245	5,129	(7,116)	-51.6%	-58.1%
Trust Funds	18,423	18,031	19,350	1,319	5.0%	7.3%
Sales-Leaseback	0	0	0	0		
CRP Program	0	0	0	0		
Total Other Revenue	48,619	54,445	45,241	(9,204)	-6.9%	-16.9%
				0		
TOTAL RECEIPTS	199,783	219,873	205,719	(14,153)	3.0%	-6.4%

SOURCE: BFM, BAIE0102
NOTE: Details may not add to totals due to rounding; values less than 1,000 are disregarded in calculating percentages. Transfers In excludes 1-time transfers. Cigarette tax, PTRF cigarette tax revenues, and investment income are adjusted for seasonality.

The year-to-date variances are shown in the following tables.

General Fund Receipts - YTD Variance from Adopted Estimate
(in $millions)



FY09 Variance from Adopted Estimate

MONTH	Sales Tax	Contractor's Excise	Wholesale Alcohol	Alcohol Beverage	Cigarette	Bank Franchise	Insurance Company	Mineral Severance	Licenses, Permits, Fees	Goods & Services	State Lottery	PTRF	Interest Income	Transfers In	Trust Funds	Sales-Leaseback	CRP	FY09
J	(1.5)	(2.8)	(0.0)	0.0	0.7	0.1	(1.6)	0.4	(0.1)	(0.6)	0.0	(0.7)	0.0	(7.6)	0.0	0.0	0.0	(13.5)
A	3.6	(9.1)	(0.0)	0.0	0.1	(0.8)	0.8	0.5	(0.1)	(1.3)	0.0	(2.0)	0.0	(7.1)	1.3	0.0	0.0	(14.2)
S																		
O																		
N																		
D																		
J																		
F																		
M																		
A																		
M																		
J																		

FY08 Variance from Adopted Estimate

MONTH	Sales Tax	Contractor's Excise	Wholesale Alcohol	Alcohol Beverage	Cigarette	Bank Franchise	Insurance Company	Mineral Severance	Licenses, Permits, Fees	Goods & Services	State Lottery	PTRF	Interest Income	Transfers In	Trust Funds	Sales-Leaseback	CRP	FY08
J	3.9	(2.9)	0.0	0.0	0.0	1.0	0.6	0.2	0.0	(1.1)	0.0	0.1	(0.0)	17.9	0.0	0.0	0.0	19.7
A	(6.2)	(2.6)	0.0	0.0	0.0	0.3	(0.0)	0.2	0.0	(1.8)	0.0	(2.4)	(0.0)	(2.4)	1.7	0.0	0.0	(13.3)
S	(12.6)	(3.3)	(0.0)	0.0	0.0	1.6	(0.2)	0.2	(0.1)	(1.8)	0.0	(2.6)	0.4	(2.4)	1.7	0.0	0.0	(19.2)
O	(1.4)	(2.5)	0.0	(0.2)	0.0	1.8	1.2	0.0	0.8	(3.7)	0.0	(3.0)	0.4	(0.3)	1.7	0.0	0.0	(5.2)
N	(4.1)	(2.9)	0.0	(0.2)	0.0	1.8	(0.3)	(0.1)	0.2	4.2	(0.1)	(2.4)	0.4	(0.2)	1.7	(1.4)	0.5	(2.9)
D	(3.7)	(0.9)	(0.0)	(0.2)	0.0	2.7	(0.1)	(0.1)	(0.1)	2.1	(0.1)	(1.2)	0.4	(0.2)	1.7	0.6	0.4	1.2
J	(3.6)	(0.4)	0.1	(0.4)	0.0	2.5	0.1	(0.1)	(1.8)	1.2	(0.1)	0.4	0.4	(0.2)	1.7	0.6	0.4	0.6
F	0.7	1.1	0.1	(0.4)	0.0	2.5	0.6	0.5	(2.3)	0.2	(0.0)	(0.4)	0.4	0.3	1.7	0.6	0.4	5.9
M	(3.6)	2.0	(0.0)	(0.4)	0.0	3.3	(0.1)	0.3	(2.3)	(0.6)	(0.0)	(2.7)	0.4	0.5	1.7	0.6	0.4	(0.7)
A	4.3	1.4	0.1	(0.7)	0.0	4.4	2.1	0.1	1.3	(0.7)	(0.0)	(3.3)	0.4	0.3	1.7	0.6	0.4	12.3
M	(0.3)	1.1	0.1	(0.7)	0.0	4.2	0.8	0.7	1.3	(1.8)	(0.0)	(4.7)	0.4	8.6	1.7	0.4	0.3	11.9
J	2.8	(9.4)	0.1	0.4	0.0	4.5	(0.4)	0.7	2.3	(1.5)	1.4	(7.1)	2.6	10.3	0.6	0.0	0.3	7.5

The members should be advised that we are in the process of reviewing the elements and assumptions of these analyses after which we will engage with BFM for discussion regarding differences and similarities with their new model .